

Functional Series 600 - Budget and Finance
ADS 631 - Accrued Expenditures

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ADS 631 - Accrued Expenditures

631.1 OVERVIEW

To provide policy and procedures for establishing and recording accruals and associated liabilities.

631.2 PRIMARY RESPONSIBILITIES

a. Chief Financial Officer (CFO)

Provides policy and guidance on the Agency's methodology for recording accrued expenditures .

Ensures that the core financial system provides accrual data consistent with established policy.

Provides operating guidance on accrual activity and reviews data input by others for data quality and integrity.

b. Bureau of Management, Office of Financial Management (M/FM)

Makes centralized adjustments to assets and liabilities accounts for advance funded obligations.

c. Mission Controller

Provides information and assistance to Cognizant Technical Officers (CTO) or appropriate Obligating Official for developing accruals and maintains an overall system that produces accruals and accrued expenditures.

Inputs the data received from CTOs or Obligating Officials (when appropriate) into the financial system.

Establishes a materiality threshold below the standard \$25,000 threshold for developing accruals if warranted by local conditions and resources.

Provides information to the Office of Financial Management (M/FM) to adjust accruals for advance funded obligations.

d. USAID/Washington Obligating Official

For obligations recorded in the Acquisition and Assistance (A&A) module of the New Management System (NMS), establishes the Anticipated Accrued Expenditure Schedule in consultation with the CTO.

For non-A&A obligations, establishes the initial [Anticipated Accrued Expenditure Schedule](#) , and monitors and adjusts the schedule on an on-going basis, but not less frequently than prior to the end of each quarter.

e. Cognizant Technical Officer (CTO)

In USAID/Washington, monitors anticipated accrued expenditure schedules on an on-going basis and makes adjustments not less frequently than prior to the end of each quarter to reflect the actual rates of expenditure.

In field missions, develops accruals using worksheets and guidance of the Mission Controller.

631.3 POLICY AND PROCEDURES

631.3.1 Accounting Principles

USAID shall keep its accounting records on an accrual basis. Expenditures incurred and their associated liabilities shall be recognized in the accounting period in which they occur, regardless of whether the payment of expense is made.

Accrued expenditures shall be recorded for awards or obligations with a [total estimated cost \(TEC\)](#)/price of \$25,000 or more and travel obligations exceeding \$500.

Obligating officials in USAID/W shall create an Anticipated Accrued Expenditure Schedule (an on-line screen application within A&A and [AWACS](#)) in NMS for awards or obligations with a TEC of \$25,000 or more to permit automatic generation of accruals on a monthly basis. Anticipated Accrued Expenditure Schedules shall also be created when adjustments or modifications result in a TEC of 25,000 or more. CTOs and AID World-wide Accounting and Control System (AWACS) obligation approvers shall monitor and adjust the anticipated accrued expenditure schedule as necessary to more accurately reflect the actual rate of the accrued expenditure. The schedules shall be reviewed and adjusted on a continual basis, but at a minimum before the end of each fiscal quarter (December, March, June, and September).

Missions shall develop accrued expenditures on a quarterly basis, unless they are required more frequently for internal or external management purposes. Accruals shall generally be recorded for obligations with a TEC of \$25,000 or more. A lesser amount may be used where warranted by local conditions. Accruals shall be entered into the financial system based on input from CTOs, activity managers or others who are knowledgeable of the activities.

The full amount of the accrual shall be recorded against the obligation, and then be reversed at the start of the next accounting period. Any adjustments to the accrual amounts and/or the associated liabilities (e.g., adjustments for advances or as a result of an audit) shall be made centrally at USAID/W by M/FM with information obtained from the source of the accrual.

Unliquidated obligation balances for travel expenses shall be fully accrued if the travel date has passed. The accruals will be automatically generated on a monthly basis in USAID/Washington and shall be manually generated on a quarterly basis in field missions.

Accrued expenditures for Prompt Pay Interest and Penalties shall be recorded at a minimum at year-end.

631.3.2 Basis for Recognition of Accruals

631.3.2.1 Basis for Recognition of Accruals - General

While there may be additional situations that result in the recognition of liabilities and revenue, accruals shall generally be recognized in the accounting period in which the title to goods is accepted, services are rendered, rents are due, progress is made in contract performance, and revenue is generated.

Base accruals on the best available information on expenditures for an activity. Where feasible, base accruals for expenditures on an analysis of the projected expenditure rate or actual expenditures. Use estimates where documentation is not available. Where estimating techniques are used, make every effort to ensure that reasonable estimates are recorded.

While there may be additional situations that result in the recognition of liabilities associated with the purchase of goods, liabilities (and the associated accruals) are generally recognized as accruals,

a. When USAID accepts title to goods, whether the goods are delivered or USAID has received documented notification that the good are in transit, USAID shall recognize a liability for the unpaid amount of the goods. If invoices are not available at the end of the period, the amounts owed shall be estimated using available documents.

b. When a contractor physically delivers the goods (if the goods are suitable for sale to others) and USAID receives them and takes formal title. This also includes delivery of goods to an authorized government agent, as in the case of commodities.

631.3.2.2 Basis for Recognition of Accruals - Built or Constructed Products

When a contractor builds or manufactures facilities or equipment to the USAID's specifications, formal acceptance of the products by USAID is not the determining factor for accounting recognition. Constructive or defacto receipt occurs in each accounting period.

- a. For facilities or equipment constructed or manufactured by contractors or grantees according to agreements or contract specifications, amounts recorded as payable shall be based on an estimate of work completed under the contract or the agreement.
- b. Base the estimates of such amounts primarily on the USAID's engineering and management evaluation of actual performance progress and incurred costs.

631.3.2.3 Basis for Recognition of Accruals - Common Goods or Service Types

The following identifies the major areas where accruals are required and the most common documents used in their development. This does not preclude the use of more accurate information obtained from more direct sources. It is only intended to provide a suggested source of the information.

- a. Shipment of Goods/Commodities-In-Transit. Base accruals on shipping reports and/or bills of lading and suppliers invoices provided by suppliers or host countries. If supplier's invoices are not available, cost of the goods may be obtained from underlying contracts or supplier's catalogs and quotations. In some cases, the status of procurement actions in process can be obtained by consulting with the responsible Contracting Office or contacting the supplier.
- b. Receipt of Goods. Base accruals on unpaid invoices, receiving reports prepared by USAID or arrival reports prepared by the host country for USAID. If supplier's invoices are not available, cost of the goods may be obtained from underlying contracts or supplier's catalogs and quotations.
- c. Travel. Base travel accruals (including transportation of persons/things and storage of household effects) on estimates included in the travel authorization and the inclusive dates of travel.
- d. Receipt of Services.

1. Personnel Services.
 - a) Direct Hire. Base accruals for salaries, allowances and benefits on time and attendance reports and family status.
 - b) Under Either Personal Services or Institutional Contract. Base accruals on analysis of service rendered to establish the amount that has been earned but remains payable through the end of the reporting period
2. Training Services. Except for transportation costs, base accruals on standard costs beginning with notice of departure and ending with completion of scheduled training. Base accruals for transportation on the request for transportation.
3. Contractual Services. Base accruals on progress reports and/or certificates of performance to assure that the services have been rendered in accordance with contract provisions. Certificates of performance are generally accompanied by a billing from the contractor. Burn-rates and/or the contract clauses themselves may also be used when needed to generate the accruals.
4. Rentals, Utilities, and Communication, etc. Base accruals for rentals on rates in existence and anticipated contracts, while accruals for utilities and/or telecommunications are based on the current rates and estimated consumption.
- e. Grants. Accruals must be developed by taking into consideration the terms of the agreement. An activity may have accruals based on receipt of goods for a portion of the activity and a percentage of completion for another portion. This permits the selection of an basis tailored to the specific activity.
- f. Other Current Liabilities. Base the accrual on the amount incurred in the current fiscal year that is expected to be paid in the fiscal year following the reporting date. This includes employee wages, bonuses and salaries and entitlement benefits.

631.3.2.4 Conditions Where No Accruals Are Recognized

The following shall generally not generate accrued expenditures:

- a. Obligations for which the final billing (or voucher in the case of travel) has been recorded; (Any remaining balance shall be deobligated.)
- b. Bilateral obligations, including Strategic Objective Agreements; (Accruals are generated at the sub-obligation level.)
- c. Obligations with an unliquidated balance less than \$500; and
- d. Obligations with unliquidated balances that are no longer needed. (In this situation, action shall be taken to deobligate the unneeded funds.)

631.3.2.5 Alternative Methods for Developing the Anticipated Accrued Expenditure Schedule

The alternative methods for establishing Anticipated Accrued Expenditure Schedule at the time of award are as follows:

- a. Distribute the entire Total Estimated Cost (TEC)/prices evenly over the entire period of the performance on a monthly basis;
- b. Distribute a fixed percentage of the TEC/price on a monthly basis over the period of the performance;
- c. Distribute a fixed dollar amount monthly over the period of performance; or
- d. Distribute a fixed dollar amount for a user-defined date(s) that fall within the period of performance.

Note: Alternative "d." provides for anomalies caused by known conditions and results in a more accurate expensing of the obligation. The anomalies include heavy start-up, closeout or termination costs, uneven workflows, etc.

631.3.3 Adjustment for Outstanding Advances

At Fiscal Year End, accruals for advance financed obligations shall be recorded in full and then M/FM shall centrally adjust the SGL downward to reflect the impact of any outstanding advances on the SGL accounts.

- a. At Fiscal Year End, field accounting stations shall report to M/FM the amount of the outstanding advances by appropriation for advances made at the missions.
- b. M/FM shall extract the same information on USAID/W advances from the financial records and/or the advances servicing agent.
- c. After obtaining the information, M/FM shall record an adjustment to the Agency's SGL for both USAID/W and mission advances. The adjustment reduces the payables by the amount of any outstanding advances.

631.3.4 Transactions Impacting Accrual Development

Payments made by others or unprocessed items impacting the development of accruals shall be taken into consideration when estimating accrued expenditures. This includes the following:

- Advices of Charge (AOC); and
- Treasury On-Line Payment and Collection (OPAC) transactions for payments within and between USAID/W and Missions and/or between Missions or other Federal Entities.

631.4 MANDATORY REFERENCES

631.4.1 External Mandatory References

- a. [PL. 84-863](#), 70 Stat 782, amending the Budget and Accounting Procedures Act of 1950 (Provides authority for ADS 631)
- b. [Federal Accounting Standards Advisory Board \(FASAB\)](#), Statement of Federal Financial Accounting Standard, Number 1 (Provides authority for ADS 631)

631.4.2 Internal Mandatory References - N/A

631.5 ADDITIONAL HELP - N/A

631.6 DEFINITIONS (See Glossary [Word](#) | [PDF](#) | [HTML](#))

Where possible, definitions for Financial Management terms use standard Federal definitions established by the one of the recognized Federal principles in Financial Management or their agents. The principles are OMB (the Office of Management and Budget), Treasury (the Department of Treasury), and GAO (the General Accounting

Office). Their agents include [FASAB \(Federal Accounting Standards Advisory Board\)](#) and JFMIP (the Joint Financial Management Improvement Project).

Accrual

The value of the liabilities recognized during the period for goods and/or services received, but not disbursed or invoiced but not recorded. It may also refer to the value of associated expenditures (expenses). (Chapter 631)

Accrual Accounting

The basis of accounting that records revenues when earned and expenditures (expenses) when the goods are received or services performed even though the receipt of the revenue or the payment of the expenditure may take place, in whole or part, in another accounting period. (JFMIP) (Chapter 631)

Accrued Expenditure

Charges incurred during a given period that reflect liabilities incurred and the need to pay for (1) services performed by employees, contractors, vendors, carriers, grantees, lessors, and other Government funds; (2) goods and tangible property received; and (3) amounts becoming owed under programs for which no current service or performance is required (such as annuities, insurance claims, and other benefit payments). (JFMIP) Includes both Expenditure and Accrual components. (Chapter 631)

Accrued Liabilities

The amount owed for expenses or charges incurred but for which payments are not due until a later period. (JFMIP) Accrued liabilities will be adjusted for advances to preclude overstated General Ledger balances. (Chapter 631)

Anticipated Accrued Expenditure Schedule

An NMS/AWACS on-line screen Schedule containing the total estimated amounts of the award that will arise over the life of the award. The schedule contains the accrual date and dollar amount for each month between the effective and completion date of the award (period of performance). (Chapter 631)

AWACS

AID World-wide Accounting and Control System (Chapter 631)

CFO

Chief Financial Officer (Chapter 631)

Cognizant Technical Officer (CTO)

The individual who performs functions that are designated by the Contracting or Agreement Officer, or are specifically designated by policy or regulation as part of contract or assistance administration. (**See “Activity Manager”**) (Chapters 200-203, 631)

Disbursements

Payments made using cash, check, or electronic transfers. Disbursements include advances to others as well as payments for goods and services received and other types of payments made. (JFMIP) (Chapter 631) **Note:** The Agency often uses the term "Disbursements" to mean only "payments that liquidate obligations" which actually is the definition for "[outlays](#)".

Expenditures

In Accrual-based Accounting, they constitute both the Outlays (payments that liquidate obligations) and Invoices Recorded but not Paid component of Accrued Expenditures. (Chapter 631)

FASAB

Federal Accounting Standards Advisory Board. The Federal accounting standards and concepts setting body. It is a twelve-member board with GAO, OMB and Treasury as the principles. (Chapter 631)

MACS

Mission Accounting and Control System (Chapter 631)

M/FM

Bureau of Management, Office of Financial Management (Chapter 631)

Outlays

Outlays are the payments that liquidate obligations (other than repayment of debt). (FASAB) and are the measure of Government spending for budget purposes. (JFMIP) (Chapter 631)

TEC

Total Estimated Cost (Chapter 631)

Unliquidated Obligation Balance

The amount which has been obligated but has not been disbursed/expensed, and remains as either uninvoiced and/or unpaid. (Chapter 631)

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